



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

| | | | |
|-------------------------|-------------------|----------------|--|
| Bill # | SB0544 | Title: | Montana certified beef natural marketing program |
| Primary Sponsor: | Hansen, Ken (Kim) | Status: | As Introduced - Corrected |

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

| | <u>FY 2008 Difference</u> | <u>FY 2009 Difference</u> | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures: | | | | |
| General Fund | \$1,250 | \$750 | \$0 | \$0 |
| State Special Revenue | \$0 | \$5,000 | \$7,750 | \$16,250 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue | \$0 | \$5,000 | \$10,000 | \$20,000 |
| Net Impact-General Fund Balance | (\$1,250) | (\$750) | \$0 | \$0 |

Description of Fiscal Impact:

This bill creates the Montana-certified natural beef marketing program jointly administered by the Department of Agriculture and the Board of Livestock.

FISCAL ANALYSIS

Assumptions:

Department of Livestock (DOL)

1. It is assumed that any livestock criminal investigations will be handled within existing programs at the DOL.
2. It is also assumed that any labeling noncompliance issues will be resolved within the existing DOL or Federal Meat Inspection programs.
3. The cost for developing administrative rules are assumed to be minimal and can be absorbed within existing budgets.

Department of Agriculture (AGR)

4. This bill is effective upon passage and approval, the AGR assumes no work on the program will be started until FY 2008.
5. Existing staff expertise within the AGR will be used to develop administrative rules providing specific program requirements to producers. Administrative rules are estimated to total approximately 20 pages. FY 2008 filing costs with the Secretary of State are estimated to total \$1,000 (20 pages x \$50 per page) for the AGR. It is assumed that the adoption of these rules will take up to one year to complete.
6. Existing AGR staff expertise will be used to develop a marketing strategy to promote natural beef produced in Montana. The marketing and education brochures will be developed in FY 2009 at an estimated cost of \$3,000; FY 2011 costs for brochure updates are estimated at \$1,000.
7. The design of a marketing label which readily identifies the beef as certified natural and natural grass-fed will be marketed to the general public and affixed to all products resulting from the sale and distribution. Development of this distinct product identification is estimated to cost the AGR \$2,500.
8. Producers will register via an application process to qualify as producing Montana-certified natural grass-fed beef. Montana agricultural statistics show the number of beef cow operations in Montana at 11,400. It is estimated that approximately 50 producers will choose to participate in FY 2009. Participation is estimated to at least double each year thru FY 2011. It is anticipated that the program will not exceed 200 producers through FY 2011.
9. Revenue from producer registrations will be determined by administrative rule. The department estimates a \$100 per producer per year fee would be assessed. Title 80, Chapter 11 gives the department authority to assess fees and deposit the fees into a state special revenue account. Revenue is estimated as follows: FY 2008 \$0; FY 2009 \$5,000; FY 2010 \$10,000; and FY 2011 \$20,000.
10. The department will develop and make available in hardcopy or electronic format the necessary protocols for recordkeeping and verification for the certification of natural and natural grass-fed beef. The cost of developing applications and procedural logs is estimated to be \$250 per year.
11. At least one inspection of the ranch where the cattle were born and raised must be completed by the AGR, the DOL, or a designated inspector per this bill. It is assumed that the adopted administrative rules will require one inspection within a three year period. It is estimated that each inspection will average \$300. Expenditures for inspections each fiscal year are estimated at: FY 2008 \$0; FY 2009 \$0; FY 2010 \$7,500 ($50/2 \times \$300 = \$7,500$); and FY 2011 \$15,000 ($50 \times \$300 = \$15,000$).
12. Expenditures between FY 2008 and FY 2011 are estimated to total \$31,000.

| | <u>FY 2008 Difference</u> | <u>FY 2009 Difference</u> | <u>FY 2010 Difference</u> | <u>FY 2011 Difference</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <u>Fiscal Impact:</u> | | | | |
| AGR | | | | |
| <u>Expenditures:</u> | | | | |
| Operating Expenses | \$1,250 | \$5,750 | \$7,750 | \$16,250 |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$1,250 | \$750 | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$5,000 | \$7,750 | \$16,250 |
| TOTAL Funding of Exp. | \$1,250 | \$5,750 | \$7,750 | \$16,250 |
| <u>Revenues:</u> | | | | |
| State Special Revenue (02) | \$0 | \$5,000 | \$10,000 | \$20,000 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | (\$1,250) | (\$750) | \$0 | \$0 |
| State Special Revenue (02) | \$0 | \$0 | \$2,250 | \$3,750 |

Effect on County or Other Local Revenues or Expenditures:

1. County and/or tribal extension agents may participate in joint education and inspection procedures.

Technical Notes:

1. The Department of Livestock is concerned that State Administrative Rule would be more conducive to possible changes of standards at the federal level than state statute.
2. The requirements of Section 1 (2)(a) through (d) are more stringent than present USDA guidelines.
3. Title 2-15-3101, MCA, establishes the Department of Livestock and establishes the Board of Livestock as the head of the department. The bill should be changed to reference the Department of Livestock where it addresses the Board of Livestock.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date